



PROJECTED BENEFITS FROM RAISING'S KANSAS'S TAX RATE ON TOBACCO PRODUCTS OTHER THAN CIGARETTES

Current Kansas State Tax Rate on Other Tobacco Products: 10% of Wholesale Price

Current Annual Revenues from the State's OTP Tax: Approximately \$5 million per year

<u>New OTP Tax Rate</u>	<u>Additional Annual Revenue</u>	<u>Consumption Decline</u>	<u>Fewer Youth Users</u>
35%	\$17.3 million	-8.8%	-16.3%
40%	\$19.7 million	-10.5%	-19.5%
50%	\$24.6 million	-14.0%	-26.0%
65%	\$31.9 million	-19.3%	-35.8%

It is well established by scientific research and the experiences of numerous states that increasing the state's flat tax on non-cigarette tobacco products would not only raise revenue but also help to reduce tobacco use levels in the state, especially among youth. Put simply the increased state revenues per package of each tobacco product sold would be in far more new revenue than would be lost by the reductions in tobacco product consumption and sales prompted by the tax increase.

For more on the benefits of increasing the Kansas tax rates on tobacco products other than cigarettes, please see the Campaign Factsheet, *Benefits From Increasing Smokeless Tobacco Tax Rates*, <http://tobaccofreekids.org/research/factsheets/pdf/0180.pdf>.

To avoid making less-expensive other tobacco products a gateway to cigarette addiction or an alternative to quitting or cutting back for smokers, it is important that the state tax rates on other tobacco products parallel the state's tax rate on cigarettes. For the state's current cigarette tax rate of \$0.79 per pack, the comparable tax rate for other tobacco products would be approximately 35% of wholesale price. For a cigarette tax rate of \$1.54 per pack, the comparable tax rate for other tobacco products would be 68% of wholesale price.

Campaign for Tobacco-Free Kids, December 8, 2006 / Eric Lindblom

Other Sources

Chaloupka, F. et al., "Public Policy and Youth Smokeless tobacco use," *Southern Economic Journal*, 64(2): 503-516, 1997, <http://tiger.uic.edu/~fjc/Presentations/Scans/Final PDFs/sej1997.pdf>. See, also, Chaloupka, F., "Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine & Tobacco Research* (2000), and other price studies at <http://tiger.uic.edu/~fjc>.

U.S. Dept of Health & Human Services (HHS), *Preventing Tobacco Use Among Young People: A Report to the Surgeon General*, 1994, <http://www.cdc.gov/tobacco/sgryth2.htm>.

Chaloupka, F. & K. Warner, "The Economics of Smoking," in Newhouse, J. & AJ Cuyler (eds), *The Handbook of Health Economics*, 2000, at 1539-627, <http://tiger.uic.edu/~fjc/Presentations/Papers/handfinal.pdf>; also available in National Bureau of Economic Research Working Paper Series, No. 7047, <http://papers.nber.org/papers/w7047>.

Economic Research Service, USDA, "Tobacco Briefing Room," <http://www.ers.usda.gov/Briefing/tobacco>.

Campaign for Tobacco-Free Kids Factsheet, <http://tobaccofreekids.org/research/factsheets/pdf/0282.pdf>, *Spit Tobacco and Other Tobacco Products Besides Cigarettes Should Be Taxed at a Percentage of Wholesale Price*.

For more information, see the Campaign factsheets at <http://tobaccofreekids.org/research/factsheets/pdf/0180.pdf> and <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=18>.